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FISCAL IMPACT STATEMENT

LS 6245

BILL NUMBER: HB 1059

NOTE PREPARED: Mar 15, 2010

BILL AMENDED: Mar 4, 2010

SUBJECT: Property Tax Billing.

FIRST AUTHOR: Rep. VanDenburgh

FIRST SPONSOR: Sen. Kenley

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that provisional property tax bills are required rather than optional if the county auditor fails to deliver the abstract for an assessment date to the county treasurer before April 1 of the year following that assessment date. It provides that the Department of Local Government Finance (DLGF) may waive the requirement that a provisional bill must be used if the DLGF determines that certain conditions have been met. It provides that the first installment of a provisional bill is equal to 50% of the tax liability that was payable in the same year as the assessment date for the property for which the provisional bill is issued, subject to any adjustments to the tax liability authorized by the DLGF and approved by the county treasurer. It provides that the second installment is either the amount specified in a reconciling statement or, if a reconciling statement is not sent until after the second installment is due, an amount equal to 50% of the tax liability that was payable in the same year as the assessment date for the property for which the provisional bill is issued, subject to any adjustments authorized by the DLGF and approved by the county treasurer.

The bill directs the DLGF to authorize the types of adjustments to tax liability permitted on provisional statements and to notify county treasurers of that authorization. It provides that certain information is not required to be included on a provisional bill, but must be included on the reconciling statement. It deletes certain information from the informational notice that must accompany a provisional statement.

The bill requires the county treasurer to: (1) place in a separate account in the county general fund penalties collected as a result of late payments on provisional and reconciling statements; (2) use the account only to defray the costs of mailing or transmission of provisional and reconciling statements; and (3) deposit excess money in the account in the county reassessment fund.

Request for Property Tax Distribution: The bill also entitles a taxing unit to interest generated by the county

on property tax collections if the county treasurer fails to meet the deadline for compliance with a request for advance distribution of the collections.

Effective Date: July 1, 2010.

Explanation of State Expenditures: Under this bill, the Department of Local Government Finance (DLGF) may prescribe standards for processing provisional statements including a method of calculating the property taxes due when the county's abstract or other information is not complete. DLGF is also required to notify county treasurers in writing of any adjustments the county is permitted to make to the previous year's tax bills when computing the current year's provisional bills (provisional bills are based on the previous year's taxes). These adjustments include accounting for new construction, damage to the property, and any credits, deductions, and local option income taxes. DLGF should be able to implement this requirement assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures: Most counties transmit a single mailing each year containing bills for both installments of property taxes. Counties that send provisional bills must send bills in two mailings (the initial bill and the final reconciling statement). Under this proposal, for taxes payable in 2010 and after, some counties that would not have elected to issue a provisional bill would now have to do so. These counties would in effect have to mail two tax statements, thereby doubling the processing costs of sending out tax bills (the cost to prepare and send a tax statement is estimated at approximately \$1.00 per mailing). On the other hand, the use of provisional tax bills in many counties could reduce or eliminate the cost of short-term borrowing.

Counties that do send out provisional bills would have to transfer some information currently printed on the first installment (e.g. delinquent taxes, any special assessments, penalties and interest etc) to the reconciling statement. This may involve making software changes to the billing system and/or redesigning the reconciling statement. This could potentially result in additional costs to the county.

Explanation of Local Revenues: Under current law, a county may elect to send out provisional property tax statements to its taxpayers if it did not complete the abstract of its property by March 15th of the tax payment year. The abstract is prepared when tax rates are certified and tax bills are computed. Provisional bills are based on 100% of the previous year's taxes. When the county completes its abstract, the county sends a reconciling statement in the amount of the actual tax liability minus the amount they paid under the provisional bill. If the actual tax is less than the amount paid under the provisional bill, the taxpayer would be issued a refund.

If the county treasurer determines that it is possible to send the reconciling statements by October 10th, the treasurer may currently request permission from the DLGF to issue the reconciling statement as a replacement for the second installment of provisional taxes.

This bill changes the conditions under which a county would issue a provisional bill, and also modifies the information that must be included on the reconciling statement. For taxes payable in 2010 and after, provisional billing is mandatory if the county auditor cannot deliver the abstract to the county treasurer on time. The deadline for the delivery of the 2010 abstract is the same as under current law (i.e. March 15th); after 2010, this deadline is extended to April 1st.

The deadline for delivering the abstract is firm unless specifically waived by the DLGF. Under the bill, the county would still have to issue a provisional bill if the abstract is delayed because the county has to resolve taxpayer appeal petitions. As under current law, the auditor would still have to resolve any taxpayer appeal before delivering the abstract to the treasurer. However, in this case, the county would not be absolved from issuing a provisional bill if the abstract cannot be delivered on time. The bill also prohibits the DLGF from waiving provisional billing at the request of the county auditor or of fifty property owners in the county as is currently permitted. The DLGF, however, may grant a waiver only if the county council or the county treasurer requests one, and the Department determines that the county would still be able to send out its current year's tax bills by June 10th.

The county, at its discretion, may elect to send out a single provisional bill (with both May and November installments). The first installment (May 10th) would be for 50% of the previous year's taxes (note that the previous year's taxes may be recalculated to take into account new construction, damage to the property, and adjustments for credits, deductions, and local option income taxes). The November installment would be for either the remainder of the current year's taxes (if the reconciling statement is issued in lieu of the second installment of provisional taxes), or for 50% of the previous year's taxes if the abstract still has not been completed.

The bill also transfers the information that would normally be on the first installment, to the reconciling statement. Under current law, the first installment has information on delinquent taxes, any special assessments, penalties and interest, and a checklist that shows all property tax deductions and homestead credits, an explanation of the procedure and forms to be used to apply for a deduction, and penalties for unlawfully claiming a deduction. This additional information would now have to be printed on the reconciling statement.

The bill also directs the county treasurer to: (1) place in a separate account in the county general fund penalties collected as a result of late payments on provisional and reconciling statements; (2) use the account only to defray the costs of mailing or transmission of provisional and reconciling statements; and (3) deposit excess money in the account in the county reassessment fund.

Assuming that many counties could issue the reconciling statement in lieu of the second installment of property taxes, few refunds would have to be issued in those counties. However, if the reconciling statement is delivered after payment of both installments of the provisional bill, then the county will have to issue refunds to correct any overpayments.

Under this bill, the revenue stream for those counties whose regular tax bills were going to be late would be more consistent as counties would, at a minimum, be guaranteed the previous year's taxes. In many counties this could restore normal cash flow and reduce or eliminate the cost of short-term borrowing for local civil taxing units and school corporations.

Request for Property Tax Distribution: Under current law, the county treasurer has up to 30 days to comply with a written request from a taxing unit for an advance distribution of property tax collections. Under this bill, if the county auditor is late in transferring the funds, the requesting taxing unit is entitled to interest on the unpaid balance. The amount of interest would be the same as it would be when the auditor is late under current law, and would cover the period from the date the county treasurer receives the request to when the funds were transferred to the taxing unit.

State Agencies Affected: DLGF.

Local Agencies Affected: County councils; County auditors; County treasurers.

Information Sources:

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